

Third Lanark Athletic Club Limited

Report

Appointments and terms of reference

1. On the 15th day of June 1966, I, John Moncrieff Turner, was appointed an inspector to examine the affairs of the above company in the following terms:

IN THE MATTER OF THE COMPANIES ACT 1948

AND

IN THE MATTER OF THE THIRD LANARK ATHLETIC CLUB LIMITED

"The Board of Trade in pursuance of the powers conferred on them by Section 165(b) of the Companies Act 1948, hereby appoint Mr. John Moncrieff Turner, OBE, CA, of 90 Mitchell Street, Glasgow C1, to act as inspector to investigate the affairs of the above-named company and to report thereon in such manner as the Board may direct."

2. On the 10th day of January 1967, I, the Honourable Henry Shanks Keith, QC, of 33 Heriot Row, Edinburgh 3, was similarly appointed as an additional inspector.

History

3. The Third Lanark Athletic Club Limited (hereafter referred to as "the Company") is a public company formed in 1903 and having among its principal objects that of promoting the practice and play of football. By interlocutor of the Court of Session dated 14th April 1967, an order was made for the compulsory winding-up of the Company.

4. The share capital originally issued appears to have been subscribed mainly by members of the Third Lanark Rifle Volunteers Athletic Club, Glasgow, and members held either two or five shares. Despite subsequent share issues, there are still a large number of members each with a small shareholding. Certain members, however, built up substantial shareholdings.

5. For some years dissatisfaction with the general management of the Company has been prevalent amongst shareholders and frequent changes have occurred in the board of directors following differences of opinion between certain major shareholders. In particular, at the annual general meeting in 1962, there was what has been termed a "takeover" when a number of directors who had held office for five years resigned, and a former director rejoined the board.

6. Both prior to the above meeting, and subsequent to it, there was a considerable effort by certain persons to acquire shares and also to obtain support at the meetings by means of proxy votes.

7. Every resolution put to a Company meeting since 1962 has been the subject of a poll vote which reversed the decision of the numerical majority of shareholders. These resolutions ranged over a variety of subjects, including acceptance of the accounts and the removal of the playing venue of the club from Glasgow to East Kilbride.

Preliminary investigation

8. Our preliminary investigation revealed a considerable number of irregularities in the management of the Company's affairs. These irregularities fell into three main fields:

- I. Control of the Company
- II. Capital and share transactions
- III. Cash transactions

Our report deals with each of these fields.

I. Control of the Company

(a) Directors and secretaries

(i) General

9. During the period since 1962, the board of directors has on a number of occasions acted contrary to Article 66, when there were fewer than the five members required by Article 59 of the Company's Articles of Association. In particular between May and December 1965 and from January 1967 until the order for winding up of the Company, there were four members only.

10. No register of directors and secretaries has been maintained and we have not been able in all cases to verify the information given to us, which indicates that the following persons have held office during the periods stated:

Directors

W. McLean	28th June 1956 to 13th December 1962
R. T. Martin	28th June 1956 to 13th December 1962
G. Foster	6th November 1966 to 21st November 1963
R. Spence	5th March 1957 to 16th June 1963
J. Murray	5th March 1957 to 13th December 1962
W. C. Hiddleston	21st December 1954 to 26th February 1967 and from 13th December 1962
S. Meadow	27th December 1962 to 21st November 1963
J. McMillan	27th December 1962 to 21st November 1963
S. Basso	16th June 1963 to 21st November 1963
J. Scanlon	21st November 1963 to 4th June 1964
J. White	21st November 1963 to 9th January 1967
J. Ross from	21st November 1963
R. Hough	21st November 1963 to 4th June 1964
J. Agnew	10th January 1964 to 26th May 1965
T. C. McPhee	2nd July 1964 to 20th May 1965
J. M. Lough	20th May 1965 to 13th October 1966
J. P. Reilly from	16th December 1965
A. Foreman from	2nd December 1966

Secretaries:

W. C. Hiddleston	8th November 1955 to 20th March 1956
J. Murray	20th March 1956 to 13th December 1962
J. M. Lough	13th December 1962 to 26th September 1963
and	29th January 1964 to 9th April 1964
and	15th April 1965 to 13th October 1966
W. Steele	26th September 1963 to 29th January 1964
R. Evans	9th April 1964 to 15th April 1965
J. Ross from	January 1967

11. Among the above changes is the appointment of Mr. W. C. Hiddleston to the board in December 1962. Mr. Hiddleston had previously been a director from December 1954 until February 1957, when his resignation was requested by the other directors on the grounds that he had allegedly carried out a number of unauthorised cash transactions. During the ensuing years Mr. Hiddleston made several efforts to rejoin the board and by December 1962 appears to have collected sufficient proxy votes and other support to out-vote the existing board. At an annual general meeting held on 12th December 1962, three of the five directors resigned and Mr. Hiddleston was appointed. Within a year the change-over was complete, the two directors who had retained office having also resigned.

12. Immediately after the above meeting, Mr. J. M. Lough, Certified Accountant, was appointed secretary. Mr. Lough has acted as personal accountant for Mr. Hiddleston since 1957, and appears to have worked closely with Mr. Hiddleston in most aspects of the Company's management and administration.

13. From the time of the annual general meeting in December 1962, there have been many infringements of the statutory provisions for the regulation of a limited company.

(ii) Qualification of directors

14. No register of directors' shareholdings has been kept but from the records it is apparent that certain directors held office and (with the exception of Mr. Foreman) acted without holding the qualification shares required by Article 64 of the Company's Articles of Association, beyond the two month period permitted by section 182 of the Companies Act 1948.

	<i>Appointed to board</i>	<i>Acquired qualifying holding</i>
J. White	21st November 1963	2nd July 1964
J. Ross	21st November 1963	2nd July 1964
J. Agnew	10th January 1964	2nd July 1964
A. Foreman	2nd December 1966	none acquired

(iii) Minutes and meetings

15. In 1959 the existing bound minute book was discontinued and since that time a plain loose-leaf book has been used. We found that there were missing from this book the minutes of at least three board meetings at which the directors discussed the share transactions referred to in paragraphs 41 and 52.

16. From July 1964, until December 1965, the minutes show only changes in directors holding office, and the amount of the bank overdraft.

17. We have been advised by Mr. Reilly that at no meeting between 15th December 1963, when he joined the board, and the end of 1966, did he see, or as chairman sign, a minute for a previous meeting, and we have been unable to trace the existence of any such minutes.

18. Various former directors have stated to us that no proper or regular meetings were held since 1964, and this was confirmed by Mr. Evans, a former secretary of the Company.

19. In view of the other matters disclosed in our report, it is of significance that many share transfers were given effect by the issue of share certificates without there being any record of formal approval of the transactions by the directors. Similarly there is no record of the board having duly sanctioned the signing of any cheques during the period covered by our investigation, and in this connection it is to be noted that Article 73(12) of the Company's Articles of Association provides *inter alia*: "In case any Director shall sign any cheque without the sanction of a meeting of Directors, such Directors so signing shall be personally liable for and shall refund the amount of such cheque to the Company".

(b) Statutory records not kept

20. The following statutory records have not been adequately kept:

- Register of directors and secretaries
- Register of directors' shareholdings
- Minute books

21. We have been unable to obtain any record of financial transactions subsequent to April 1966, except as detailed in paragraph 63.

(c) Company meetings

(i) General

22. Annual general meetings have been held and audited accounts submitted to the shareholders as follows:

	<i>Date of meeting</i>	<i>Accounts for year to</i>
59th AGM	12th December 1962	30th April 1962
60th AGM	23rd December 1964*	30th April 1963
61st AGM	23rd December 1964*	30th April 1964

(*Immediately adjourned and reconvened on 29th January 1965)

23. In terms of Article 99 of the Company's Articles of Association, the shareholders are entitled to receive copies of accounts at an annual general meeting to be held within three months of the end of the period of such account, but no accounts subsequent to those for the year to 30th April 1964 have been circulated and no annual general meeting has been held since January 1965.

24. The only reason given to us by the directors for delay in presentation of the 1963 accounts was the alleged failure of the auditors to complete their audit. However, the auditors approved the accounts for the year to 30th April 1963 on 9th December 1963 and over a year elapsed thereafter before the accounts were made available to the shareholders. We feel it to be significant that during the intervening period the directors had considerably increased their shareholdings, partly by transactions stated to be in terms of Article 32 of the Company's Articles, quoted later in this report.

25. We were advised by the auditors, Messrs. Alexander Sloan & Co., Chartered Accountants, that such delays as did occur each year in the preparation of audited accounts arose through their inability to obtain necessary information from the officers of the Company. This is confirmed by correspondence which we have seen both in the files of the Company and in those of the auditors.

26. By letter dated 8th May 1965, Mr. Reilly stated to the Board of Trade that the accounts for the year to 30th April 1965 had been completed by the auditors, that they were being printed, and that steps were being taken to call the 62nd annual general meeting. This meeting has never been called.

(ii) Notice to shareholders

27. Correspondence in the Company's files shows that certain shareholders did not receive notice of an extraordinary general meeting held on 1st April 1966.

28. One shareholder, Dr. William Brown, wrote to the secretary of the Company on 23rd February, and again on 1st March 1966, requesting "an extract of the up-to-date Register of Shareholders". On 14th March 1966, following a complaint to the Board of Trade that the shareholder had received no acknowledgement, the Board of Trade asked the Company for an explanation. On 26th March, Mr. Reilly, then a director and the Company's law agent, wrote to the Board of Trade stating that the word 'extract' had caused confusion but that a letter had been written to the shareholder requesting clarification. In fact, the request for clarification was not dispatched by Mr. Reilly until 28th March, three days before the appointed day for the meeting. It appears that there was no prior effort to give the desired information, which finally reached Dr. Brown on the day of the meeting, too late for him to contact the shareholders or take any other action with the information he received.

29. At the 61st annual general meeting, the Company secretary, Mr. Evans, stated that he did not sign the accounts for the year to 30th April 1964, nor the notice calling the meeting, although both documents circulated to shareholders bore his name. We have ascertained by examination of the principal accounts that they were not signed by Mr. Evans.

(iii) Minutes

30. Since the minute of the meeting held on 12th December 1962 no official record has been made of the proceedings at the Company's meetings, although typewritten draft minutes have been compiled.

(iv) Request for Board of Trade enquiry

31. The draft minute of the 60th annual general meeting held on 29th January 1965 records that certain members called for a Board of Trade enquiry, and that the Company's solicitor, Mr. P. McGittigan agreed that this would be done. No steps were, however, taken and (following an enquiry about the matter made by the Board of Trade on 17th May 1965 and an account of the proceedings at the meeting sent to the Board by the Company's secretary on 20th May 1965) Mr. McGittigan on 18th June 1965 wrote to the Board of Trade stating that in his view the request was made "in vain". He has explained to us that he did not think that any action was required.

32. At a subsequent extraordinary general meeting convened on 1st April 1966 to consider a formal resolution for a Board of Trade investigation under section 165(a) of the Companies Act 1948, the chairman, Mr. Reilly, is recorded in the draft minute as stating that he had had full conversation with members of the Board of Trade and that they were satisfied that the affairs of the Company were in order. During examination on oath before us on 8th March 1967, Mr. Reilly was asked for his explanation of this and stated that he had spoken on the telephone to a young lady at the Board of Trade and told her that as far as he was concerned there was nothing wrong with the club. He further stated to us that his sole purpose at the meeting was to try and pour oil on troubled waters. The resolution was carried on a show of hands by 69 votes to 5, but defeated on a poll by 12,500 to 5,063. The present investigation was initiated by the Board of Trade itself.

II. Capital and Share Transactions

(a) Share capital

33. By 1957 the share records were in a state of considerable confusion. Over the past ten years the total of the list of shareholders submitted with the Company's annual return to the Registrar of Companies has never agreed with the issued share capital.

(b) Share registers

34. Apart from an incomplete number of entries in 1961 and 1962, the original register has not been written up since 1960. From 1961, the only record has been a book showing an alphabetical list of members amended by deletion, erasure and alteration. This book records the name, address and number of shares held, but does not show the following:

- (i) Amount paid up
- (ii) Distinctive share numbers
- (iii) Date of entry as a member
and in many cases,
- (iv) The date of ceasing to be a member

35. A large number of errors have occurred and a list taken from it shows a total of 20,250 shares although the authorised and issued capital is recorded as 20,000 shares only. An excess of 126 ordinary and 124 preference shares has arisen through various errors, including the incorrect application of Article 32, referred to later in our report.

(c) Share numbers

36. The Directors have not authorised the elimination of distinguishing share numbers, but in the majority of cases in the past four years these have been omitted from share certificates, counterfoils and transfers, as well as from the share registers.

(d) Approval of transfers by directors

37. In a number of cases since 1963 the approval of share transfers has not been recorded in the minutes of the directors' meetings. However, amongst those which were approved were a considerable number of transfers which were not stamped.

(e) Unstamped share transfers

38. At the start of our investigation it became obvious that a very large number of share transfers were missing from the Company files. It was subsequently disclosed that 167 transfers in favour of Mr. Hiddleston had recently been passed to the Stamp Duty Office for late stamping. These were in due course returned to us bearing duty stamps dated 21st September 1966, although the transfer dates were very much earlier and the transfers had been registered contrary to Section 17 of the Stamp Act 1891. The extent of this irregularity is shown by the number of shares involved: 6,376 out of a total of 8,607 acquired by Mr. Hiddleston since January 1963, for which transfers have been seen by us.

39. The majority of the above shares were entered in the share records by Mr. Lough, who has stated to us that he was aware that the transfers were unstamped. We were informed by Mr. Hiddleston that in some cases, the relative entries are in his own handwriting, and in other cases in that of his daughter, Miss M. A. Hiddleston. Both Mr. Lough and Mr. Hiddleston have also stated to us that they knew it was illegal to register unstamped transfers.

(f) Other irregular share transfers

40. In examining the transfers in favour of Mr. Hiddleston, we noted a number of cases in which the signature of the transferor appeared to us to warrant further investigation, in particular in cases where the cancelled certificate was not available or where the signature seemed to differ from earlier signatures by the same person.

41. Two transfers dated 24th April 1964, purporting to represent the transfer of 172 ordinary and 78 preference shares from a Mr. W. H. Robison to Mr. Hiddleston, had been considerably altered. The number of ordinary shares had originally been shown as 153 (which was the number actually owned by Mr. Robison) and on each transfer form Mr. Hiddleston's name and signature were each superscribed on Mr. Lough's which had apparently been erased after attestation. None of the alterations has been initialled.

42. Two directors' minutes dealing with the above transactions and dated 26th September and 3rd October 1963 were missing from the minute book but we have received copies from the chairman at that time, Mr. G. Foster. It appears that Mr. Robison had earlier applied for repayment of a loan to the Company, but that this had been refused and Mr. Robison had offered his shares for sale on condition that the loan was repaid. Mr. Lough (financed by Mr. Hiddleston) had purchased the shares and loan without advising the directors, other than Mr. Hiddleston, of his actions and, as a result, at the meeting of 3rd October 1963 his resignation as secretary was requested. In due course, the transfers appear to have been altered to Mr. Hiddleston's name and dated 20th April 1964, and the loan was repaid to Mr. Lough by the Company, although other applications for repayment of similar loans had been refused, and although repayment was not formally approved by the directors.

(g) Article 32 transfers

(i) General

43. Amongst others, the undernoted directors appointed on the dates shown, continued in office without qualifying shares beyond the period of two months statutorily allowed.

J. White	21st November 1963
J. Ross	21st November 1963
J. Agnew	10th January 1964

44. In an effort to obtain the requisite shares, recourse was had to clauses in the Company's Articles of Association which read as follows :

Article 32: "When two years shall elapse after the death of any member without any person claiming to represent him in respect of any share, the board may at any time thereafter sell such shares, accounting for the net proceeds as after expressed."

Article 32a: "In the event of a sale in terms of Article 32, the necessary transfer shall, with the sanction of the board, be signed by any two of the directors and the secretary, and when so signed and delivered shall be valid and effectual, and the title of the transferee following thereon shall not be open to question in regard to the procedure or formalities observed in terms of these Articles."

45. As is shown in Appendix A a small number of persons, mainly directors, acquired at least 1,610 shares between 2nd July 1964 and 31st March 1966, and the transfers were recorded as being in terms of Article 32. In some other cases, where the share transfer document is missing, the same procedure may have been involved.

46. At the annual general meeting held on 29th January 1965 the transfers in terms of this Article were questioned and Mr. Hiddleston, as chairman, stated that this issue had been made after taking legal advice. The Company's solicitor at that time, Mr. P. McGettigan, stated to us that his advice had been that the Article could be invoked but that the actual procedures involved were irregular and that the shares should have been offered to all members of the Company.

47. In addition, Mr. A.G. McBain, CA, a partner in the firm of Messrs. A.G. McBain & Co., Chartered Accountants, who acted as Company treasurers from December 1962 until March 1965, had circulated to the directors two notes dated 19th and 22nd January 1965, in which he criticised the action which the directors had taken in purported exercise of Article 32, and he had also sent to each director a letter dated 27th January 1965, stating that he felt unable to attend the meeting in view of this matter to which he had "taken such strong exception". At the meeting, the directors were asked for the reason for the treasurer's absence. In the draft minute of the meeting Mr. Hiddleston is recorded as having replied that Mr. McBain had been asked by himself and the auditors to attend, but that Mr. McBain seemed to be of the opinion that there was no necessity for him to be present.

(ii) Letter from Board of Trade

48. On 5th July 1965, a letter was sent to Mr. McGettigan by the Board of Trade, in which information relating to Article 32 transfers was requested. On 7th September 1965, Mr. McGettigan replied stating that no shares had been transferred in terms of Article 32 during 1964 and that 1,209 shares had been so transferred in January 1965. The Company records show that this is incorrect - 1,358 shares having been transferred in 1964, and none in 1965.

49. Mr. McGettigan's letter stated that the idea of proceeding under Article 32 arose because certain supporters of the club were anxious to become directors. In the case of Mr. Hiddleston and Mr. Ross, however, the numbers involved exceeded the director's qualification of 100 shares. Mr. Hiddleston owned 8,847 shares prior to 2nd July 1964, and the shares so acquired by Mr. Ross total 400. We are satisfied that the main purpose of the majority of the Article 32 transfers was to maintain and increase the voting power of Mr. Hiddleston and his associates.

(iii) Evidence of death

50. It was stated to us that the evidence available was partly the personal knowledge of the directors and partly the return through the Post Office of certain circular letters. The envelopes which were given to us as having been so returned to the Company are, in the majority of cases, marked 'gone away' or 'not known' and do not satisfy us that the various holdings may have been correctly dealt with under Article 32.

51. It has indeed been found that certain of the shareholders allegedly dead are still alive, and the envelopes mentioned above include a number where the name and address have been typed on erasure and where the notation "deceased" does not appear to have been written by the postal authorities.

(iv) Transfers to Mr. J.M. Lough: 153 shares

52. In 1964 Mr. Lough had produced for the Company a list of shareholders which showed totals falling short of the authorised and issued capital by 91 ordinary and 62 preference shares. In December 1964 at a directors' meeting, for which the minute is now missing, certificates were made out in his favour and their issue approved at a further meeting on 21st January 1965. A year later in December 1965, Mr. Lough made out transfers purporting to be under Article 32, and to support the issue of the above share certificates. The transfers show consideration of £1 per share, but no money was paid by Mr. Lough.

(v) Proceeds of sale under Article 32

(i) General

53. Article 33 reads as follows:

"In the several cases mentioned in Articles 31 and 32 the Board shall be bound to account to those having right for the prices of the shares so sold, after deducting therefrom the charges incurred and any (sic.) debts owing by the former proprietor to the Company."

(ii) Share price

54. In considering the steps to be taken the directors took as the value of the shares a figure of 20s. each, this being the value reported by the secretary to persons requiring a figure for estate duty valuation and also being the price paid by Mr. Hiddleston to many holders of a small number of shares. On this basis, the directors considered that 20s. was the proper price for them to pay, although at this time the major transfers involving independent persons were at prices of 22s. 6d. and 30s.

(iii) Deposit receipt

55. Following an enquiry by the Board of Trade in July 1965, a letter was sent to the Board by Mr. McGettigan on the instructions of Mr. Hiddleston and Mr. Lough. In this letter, dated 7th September 1965, it was stated that the proceeds of sale of Article 32 shares were £1,209, and that these proceeds had been lodged on deposit receipt. The shares were transferred during 1964, but our investigation has shown that the deposit in question was not made until 3rd September 1965 and that on 24th September the deposit was uplifted and the cash returned to the Company's bank account whence it was originally drawn. Mr. Hiddleston and Mr. Lough were signatories to both money transactions.

(iv) Amounts not paid

56. As a result, none of the proceeds of sale of shares under Article 32 is held available to meet possible claims in terms of Article 33. The directors maintain that this failure to hold the money in trust was a technical transgression only. However, the consideration for shares transferred up to that time was £1,358, not £1,209. In addition, we found that only £800 had been paid to the Company by the purchasers and the remaining £609 transferred to deposit receipt was the Company's own money. There was thereby concealed the deficit representing the following amounts unpaid at 7th September 1965:

	£
J. Ross	200
J. M. Lough	153
W. C. Hiddleston	256
	<u>609</u>

57. Mr. Ross paid £200 to the Company in June 1966. Mr. Lough and Mr. Hiddleston, who originated the statement to the Board of Trade that the proceeds of sale were held on deposit receipt, have still not paid the above sums.

58. Following further transactions, the proceeds of sale now unaccounted for are:

		£	
10th August 1964	Mr. W. C. Hiddleston	49	
22nd December 1964	Mr. W. C. Hiddleston	356	
28th March 1966	Mr. W. C. Hiddleston	<u>36</u>	£
			441
31st December 1964	Mr. J. M. Lough		153
15th March 1966	Mr. J. Masse		<u>115</u>
			709

III. Cash Transactions

(a) General

59. In the earlier sections of this report, we have made reference to a number of inadequacies and inaccuracies in the statutory records of the Company. Very much the same pattern has emerged from our examination of the financial records.

60. Audited accounts covering periods up to 30th April 1964 have been submitted to the members of the Company. In addition, we have seen accounts for the year to 30th April 1965, which have been signed by the auditors, Messrs. Alexander Sloan & Co., CA, and by the directors. Since starting our investigation, we have received certain records showing the cash transactions during the year to 30th April 1966. These have been proved to be unreliable and despite constant requests few of the records for the period since April 1966 have been produced by the directors.

61. During the period from December 1962 until their resignation in March 1965, the firm of Messrs. A. G. McBain & Co., CA, were employed by the Company as treasurers. This firm was responsible for the compilation of wages, for control of cheque payments and for the maintenance of the cash records. However, in January 1965 they intimated their resignation because of their dissatisfaction with the system of financial control by the directors. Mr. A. G. McBain also expressed his concern about the transactions relating to shareholdings of deceased shareholders, referred to in the earlier section of this report.

62. Since the resignation of Messrs. A. G. McBain & Co., the wages records have been maintained by the firm of Messrs. Lough, Higgins & Stuart, accountants (of which firm Mr. Lough was, and is, a partner) but the other financial records have been neglected.

(b) Incomplete records

63. Having obtained only the bank and wages records we have repeatedly asked each officer of the Company for other books of account covering the period from 30th April 1966, but none of these has been produced to us and it is apparent that no such books have been kept.

Each officer of the Company has advised us that he considered that he had no personal responsibility for the maintenance of the Company records, and in the event the financial transactions appear mainly to have rested in the hands of Mr. Hiddleston and, to a lesser extent, Mr. Lough.

(c) Blank cheques

64. This concentration of control within the hands of two officials went so far that a number of the directors have been in the habit of signing cheques without either the name of the payee, or the amount having been entered on the cheque at the time of signature.

(d) Income of the Company

(i) Car park receipts

65. The records show that the car park at Cathkin was used on the occasion of important games at Hampden Park. The gateman states that cash received from this source between August 1964 and April 1966 totalling £317 13s. 6d. was handed by him to Mr. Hiddleston and we have seen a number of the relevant receipts signed by the latter. Mr. Hiddleston stated that he had a record of disbursements which had been made from this money but the record has not yet been produced to us, neither has this income of the Company been recorded in any Company books.

(ii) Gate receipts from Cathkin Park

66. Gate money of £453 14s. 1d. from a match at Cathkin Park on 20th February 1965, had not been lodged in the bank by 30th April 1966, and we have been unable to trace the whereabouts of this money.

67. Until April 1966, the gateman employed by the Company maintained a record of cash drawn at home games and this record confirms the accuracy of the amounts shown by the Company as having been received.

68. However, on a number of occasions the cash received from this source was apparently lodged in the Company's bank account many days after receipt. Further enquiry disclosed that the cash taken at the turnstiles had not all been lodged in the bank and that various cheques in the Company's favour had been substituted to reconcile the sums banked with the amounts taken at the gate.

69. The majority, if not the whole, of these cheques represented money in any case due to the Company from other sources, and our enquiries disclosed that the income of the Company, which they represented, had not been brought into account in any books of the Company.

70. Looking at one example, we find that on 1st January 1966, Mr. J.M. Lough signed a receipt for the sum of £206 17s. 6d. in cash received at a home game against Queen's Park F.C. Subsequently there were made three bank lodgements which totalled £206 17s. 6d. and which purported to represent the above cash:

	£	s.	d.
14th January 1966	117	2	6
14th January 1966	50	0	0
25th January 1966	39	15	0
	<u>206</u>	<u>17</u>	<u>6</u>

71. An examination of records belonging to the bank showed that only a net £109 6s. 3d. of cash reached the bank, and it therefore appears that, to the extent of £97 9s. 3d., cash was abstracted from the gate receipts.

72. The fact that cash had been abstracted was concealed by the substitution in the bank lodgement of four cheques totalling the same sum, £97 9s. 3d. At least the first three of these cheques represented sums to which the Company was entitled, but which were not recorded as being received by it. They were:

	£	s.	d.
Refund from British European Airways	3	2	0
Donation from supporters' club	35	0	0
Gate money from Clydebank F.C.	44	7	3
Unknown cheque	15	0	0
	<u>97</u>	<u>9</u>	<u>3</u>

73. Mr. Hiddleston stated to us that the abstracted cash must have been paid out to meet debts due by the Company.

74. The bank lodgement of £39 15s. which finally completed and apparently squared this transaction comprised the cheque for £44 7s. 3d. from Clydebank F.C., less cash of £4 12s. 3d. uplifted. This lodgement was made by Mr. Lough, who has been unable to offer us any explanation for it.

75. On 7th October 1965 the Company received a cheque in the sum of £1,600 from Clyde F.C. representing the transfer fee for player M. Murray. This cheque formed part of a bank lodgement as follows:

	£	s.	d.
Cheque from Clyde FC	1,600	0	0
Untraced cheque	12	0	0
Untraced money order	8	0	0
	<u>1,620</u>	0	0
Less: Taken in cash		18	0
	<u>1,619</u>	2	0

76. In the Company records this was represented as the lodgement of the following:

	£	s.	d.	£	s.	d.
Transfer fee from Clyde FC (cheque)				1,300	0	0
Receipts from home match against Alloa Athletic FC on 25th September 1965 (cash)	126	8	0			
Receipts from home match against Aldon Rovers FC on 11th October 1965 (cash)	<u>192</u>	<u>14</u>	<u>0</u>	<u>319</u>	<u>2</u>	<u>0</u>
				<u>1,619</u>	<u>2</u>	<u>0</u>

77. There was thus a shortage of £320 of actual cash lodged in the bank, being the total cash receipts from the above home matches and the 18s. uplifted. This was concealed by showing the transfer fee received as £1,300 instead of £1,600 and by failing to record the receipt of the cheque for £12 and the money order for £8. We have not received a satisfactory explanation for this shortage.

78. These and other similar transactions are detailed in Appendix B.

(iii) Gate receipts from "away" matches

79. On 22nd January 1966 the club played a friendly match against Clydebank FC and in due course the Company received a cheque in the sum of £44 7s. 3d., representing its share of gate receipts. The receipt of this money was not recorded in the Company's books and the cheque was later deposited in the bank as part of a lodgement purporting to represent cash received from the match against Queen's Park FC referred to in paragraph 72 above.

80. Gate money of £50 received from Celtic FC following a game in October 1964 was not recorded as received and the relative cheque was lodged in the bank account of a separate development fund (see paragraph 91 et sub.).

(iv) Transfer fees received

81. On a number of occasions the contracts of club players were cancelled and the consideration received was not correctly recorded in the Company's books. We were advised by Mr. Hiddleston that of these sums £1,300 had been received by him personally and utilised for the payment of tradesmen who had carried out building work at Cathkin Park, but who were prepared only to accept cash and were not prepared to give receipts.

82. We were also advised by Mr. Hiddleston that he had paid £300 in cash to player M. Murray on his leaving the Company. The payment is not shown in the Company records and receipt of it is denied by Mr. Murray.

83. Details of these transfer fees are shown in Appendix C.

(v) Advertising revenue

84. During the period from April 1964 to December 1965, the Company received revenue totalling £265 11s. 8d. from firms advertising on display panels at Cathkin Park. Of this sum, £32 10s. only has been recorded as received. Cheques to the value of £100 11s. 8d. were lodged in a development fund run by the directors of the Company and the balance of £132 10s. was lodged in the Company's bank account in lieu of cash abstracted from gate receipts, for reasons which have not been adequately explained to us.

(vi) Season tickets

85. In November 1965 there was lodged in the Company's bank account the sum of £267 stated to be the proceeds of sale of season tickets. The lodgement comprised five cheques of which one for £247 10s. was drawn on the Company's own bank account and charged to expenses. This cheque was stated by Mr. Hiddleston to have been substituted for cash taken by him to cover outlays he had made but we have not seen adequate vouchers to verify this statement. In addition, the season ticket register has not been made available to us and we are unable to confirm that the total proceeds of sale of season tickets were £267.

86. The sum received for season tickets in the previous year was £796.

(vii) International tickets

87. Each season the Company receives a substantial allocation of tickets for international and other matches and between May 1963 and April 1966 the Company paid the sum of £1,787 for the purchase of such tickets.

88. We have been unable to obtain sight of any record showing the basis of disposal of the tickets but the proceeds of re-sale are shown in the books to be £765. No satisfactory explanation for the shortfall has been given to us.

(viii) Donations from supporters' association

89. In January 1966, the supporters' association sent a cheque for £35 as a donation to the Company. Receipt of this donation is not recorded and the cheque was deposited in the bank as part of a lodgement purporting to represent cash received from the match against Queen's Park FC referred to in paragraph 72 above.

90. The secretary of the supporters' association, Mr. William Liddell, has stated that a further £60 was handed to Mr. Reilly between November 1966 and March 1967. Credit for this is not given in the cash account produced to us by Messrs. J. F. Reilly & Co., and we have not been able to trace this sum to our satisfaction.

Mr. Reilly has stated that on a number of occasions contributions were handed to him but that he cannot confirm the total. He has further stated that the money was handed over on the spot in the boardroom to supplement the gate drawings then being used to pay players' wages, any surplus being banked subsequently.

(ix) Development funds

91. For a number of years before 1963, there was a Third Lanark Development Club administered by persons independent of the Company. This club received funds from a lottery named "Thirdspool" and in turn paid considerable sums to or on behalf of the Company.

92. In August 1963 the minutes of directors' meetings record the board's dissatisfaction with the handling of "Thirdspool" and the directors formed another development club run initially in opposition to "Thirdspool" and finally superseding it.

93. From August 1963 this latter club was operating a lottery - the "III-III" pool, and this was continued at least until July 1965, although the required registration under the Betting, Gaming and Lotteries Act 1963 was cancelled in December 1963 by Mr. Lough and never renewed.

94. A bank account was opened in the name of this club; the persons authorised to sign cheques being the directors of the Company and Mr. Lough. Apart from the bank book and returned cheques, few records are available to explain the operations of this fund.

95. We have examined a book maintained by Mr. Hiddleston and his daughter, Miss M.A. Hiddleston, which shows receipts from the sale of tickets in the "III-III" pool between 11th July 1964 and 3rd July 1965, amounting approximately to £2,050. There is no record of the amounts drawn in the above period having been lodged in the bank account or otherwise accounted for, and we have not been able to ascertain what amounts may have been drawn between September 1963 and July 1964, or after 3rd July 1965.

96. Sums of money which were lodged in the development club bank account included many due to the Company, amongst them the following:

	£	s.	d.
Advertising revenue	100	11	6
Gate receipts	61	10	0
Insurance claims	108	17	3
Programme sales	51	10	10
Sundry incomes	14	19	9
	337	9	6

97. In addition, the club received sums from the sale of board room tickets for Cathkin. Available papers show £456 to have been due in 1963, but we have been unable to trace more than £408 to the bank. No record is available to show sums which should have been received in 1964 or later years.

98. Tickets which were printed for the "III-III" pool show weekly prizes totalling £200, but we have seen no record of the payment of any prizes, with the exception of the under-noted cheques:

22nd September 1964	£80 to Old Eagle Inn Limited
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(Counterfoil marked "1st Prize 18th September 1964". This cheque was endorsed by Mr. R. McCracken, a director of Old Eagle Inn Limited, who has advised us that he was no prize from the development fund draw, but that the cheque was cashed by him at the request of a director, who stated that cash was required for the payment of a prize.)

12th July 1964	£10 to J. Massie
13th June 1964	£50 to David Hynds, endorsed to J. M. Lough

99. We were advised by the directors that a number of cheques drawn in June 1964 and totalling over £300 represented prizes for a Derby draw, but we have been unable to verify this or to see any record of the proceeds of the draw.

100. In November 1965 decree was given against Mr. Hiddleston in respect of a personal debt due to James Scott (Electrical Engineers) Limited. A cheque in the sum

of £129 6s. 7d. drawn on the development club account was proffered by Mr. Hiddleston in part settlement of this decree, but was not met due to the prior arrestment of the funds at credit of the account which amounted to £129 6s. 7d. precisely.

(c) *Expenditure by the Company*

(i) *Wages*

101. Since April 1965 the payroll records have been maintained by Messrs. Lough, Higgins & Stuart and shortly after their taking them over Mr. Lough and Mr. Hiddleston arranged that the latter should receive a salary at the rate of £20 per week. This remuneration has been regularly paid since 17th June 1965, although it has not been authorised by the members of the Company in general meeting as required by Article 60 of the Company's Articles of Association, nor by the other directors.

102. Again without the Board's knowledge or authority, the sum of £5 per week has been paid since 15th April 1965 to Mr. Hiddleston's daughter, Miss M.A. Hiddleston, a schoolgirl. Miss Hiddleston has been said by Mr. Hiddleston to have acted as a part-time typist for the Company, but despite the regular salary we were informed that Miss Hiddleston had worked only during school holidays.

103. During the same period since April 1965, substantial sums have been entered in the wages sheets against unidentified and other casual employees:

	<i>Year to 5th April 1966</i>	<i>9 months to 6th January 1967</i>
	£	£
"Groundsman"	189	171
"Casual groundsman"	7	70
"Cleaner"	200	200
"Trialist"	35	65
"Angus"	17	0
"Tradesman (Bricklayer)"	0	10
"Casual Labour (Builders)"	442	0
	<u>890</u>	<u>516</u>

104. During our meetings with directors and officials of the Company we have been unable to obtain any satisfactory explanation or receipts for the above payments, which are additional to the wages paid to named employees. Further, the under-noted expenditure in the year to 30th April 1966 is unexplained and no receipts are available:

Payments from petty cash for casual labour

	£ s. d.	£. s. d.
"Groundsman"	12 0 0	
"Ash spreading"	12 0 0	
"Weeding"	8 5 0	
"Casual labour"	21 0 0	

53 5 0

Other cash payments

"Builder"	230 0 0
"Painter"	5 10 0
	<u>235 10 0</u>

(ii) *Transfer fee paid*

105. In 1956 Mr. Hiddleston entered into a contract on behalf of the Company for the transfer of player J. Herbert from Doncaster Rovers FC, as a result of which the Company was required to, and did, pay the sum of £500 to Doncaster Rovers.

106. On 10th April 1957, the board of directors informed Mr. Hiddleston that he was regarded by them as personally responsible for this liability on the basis that he had acted "without consultation with, or authority of, the Board" and on 3rd May 1957 the Company received a cheque for £500 from Messrs. Lough, Higgins & Co., Certified Accountants "in settlement of Mr. Hiddleston's implied liability".

107. Following Mr. Hiddleston's return to the board in 1962, the minute of a meeting held on 21st March 1963 shows that the board received a letter from Messrs. McGettigan & Co., requesting "that a sum of £500 paid by Mr. Hiddleston personally to Doncaster Rovers in 1957 for player R. Herbert be now acknowledged although repayment was not being requested for this amount". The minutes further report the chairman, Mr. G. Foster, as stating "that as Club Lawyers, Messrs. McGettigan & Co., had advised him on the telephone that the contents of the letter were in order and should be carried out".

108. The conclusion of this matter was that a sum of £1,000 representing *inter alia* the repayment of this £500, was paid to Mr. Hiddleston through Messrs. McGettigan & Co. in November 1964.

(iii) *Cash expenditure*

109. Until 2nd April 1965, the petty cash book was maintained by Mr. Evans. From that date until 30th April 1966, when they cease, all entries have been made by Mr. Hiddleston.

110. We have seen vouchers covering expenditure in the year to 30th April 1966, although a considerable proportion of these comprise only slips signed by Mr. Hiddleston, specifying outlays made by him, and are not supported by receipts. In addition, however, a number of the receipts which are available show distinct signs of alteration to the dates and the amounts. In other cases, at least the receipt appears not to have been written by the person to whom payment is alleged to have been made.

111. We have seen no vouchers to support petty cash expenditure of £1,328 13s. 11d. in the year to 30th April 1966, and without doing so, we are unable to determine whether the petty cash book correctly records the outlays made on behalf of the Company. In particular, we are not satisfied that certain duplicated payments for substantial sums are in order.

112. During the year to 30th April 1966 further sums of cash drawn from the bank with the wages cheques were recorded as expenditure on ground upkeep. Among these were unvouched payments of £235 10s. to casual workers referred to in paragraph 104 and other items totalling £246 8s. 2d., for which we have seen no explanation and no receipt.

(iv) Sundry Outlays

Whin chips

113. In October 1965 the Company purchased and paid for a supply of red whin chips from Messrs. Scott & Rae Limited, 265 Pollokshaws Road, Glasgow. One of the invoices (Appendix D) representing a consignment priced at £6 15s. bears a notation "collected by contractors' lorry" which has been written on erasure. Messrs. Scott & Rae advised us that the notation had originally read "D.D., 108 Fernleigh Road," and that the chips had been delivered to that address, which is the home of Mr. Hiddleston.

114. When examined by us, Mr. Hiddleston stated that the notation was altered to conceal the fact that the chips had been delivered to him, but that the chips had been taken by him in exchange for cement, which he purchased for the Company. There is no record of the supply of this cement.

Carpet fitting

115. On 24th February 1965 a cheque in the sum of £52 10s. was drawn on the Company's account in favour of "Eric Albert or Bearer" and cashed by Mr. Hiddleston. This is entered in the books as a payment to Mr. Albert and is supported by a voucher in the form of a purported invoice from Mr. Albert on which the date and the amount are written upon erasure. This voucher also bears (in Mr. Hiddleston's handwriting), the notation "Boardroom New Club Premises Paid by Cheque 24.2.65". (Appendix E)

116. When Mr. Albert was interviewed by us he stated that he had not at any time done work for Third Lanark to the value of £52 10s.; that he had done no work for the Company in February 1965; and that he had not received £52 10s. When examined by us, Mr. Hiddleston was unable to explain this transaction to our satisfaction.

New carpets

117. The Company records show the acquisition on 3rd May 1965 of two identical carpets and the eventual payment of both suppliers' accounts. One invoice and receipt is in the name of John Lyle & Company Limited, Carpet Manufacturers, the purchase price being £38 19s. 8d.; and the other in the name of Messrs. Shulman & Sons Limited, Wholesalers, of St. Enoch House, 163 Argyle Street, Glasgow C2, the purchase price being £62 13s. 3d. (Appendix F)

118. Messrs. Shulman have informed us that they did not supply the carpet, that they did not prepare the receipted invoice and that they did not at any time receive the sum referred to.

Painting and decorating

119. The Company records show the following payments to Mr. John Baird, Painter and Decorator, formerly of 5 St. Mungo Street, Glasgow C4, and now of 14 Armadale Path, Glasgow E1, supported by vouchers in the form of receipted invoices from Mr. Baird:

	£	s.	d.	
(a) 21st August 1965	7	12	6	Appendix G (a)
(b) 28th September 1965	14	18	5	Appendix G (b)
(c) 24th October 1965	49	0	0	Appendix G (c)

120. Mr. Baird has stated to us that he personally wrote out all statements and receipts, but that on the voucher relating to (a) neither the form of receipt nor the amount (which had been written on erasures) was in his handwriting (although the body of the invoice was), and the vouchers relating to (b) and (c) had not been prepared or receipted by him.

121. Mr. Baird has further stated that the work specified on the vouchers relating to (b) and (c) had not been done by him, and that of the amounts shown on the receipts £49 only had been received. This, however, was in settlement of an account for the painting and wall-papering of Mr. Hiddleston's home and not for any work at Cathkin Park. As regards voucher (a), Mr. Baird said he had done some signwriting at Cathkin

Park to the value of not more than £1, but that he had not been paid for it. Mr. Baird informed us that Mr. Hiddleston had asked him for some blank invoice forms on the grounds that he admired the layout, and that Mr. Baird had given him some.

Radiogram

122. On 25th February 1965, a cheque on the Company's account made payable to "A.I.D. Electrics or Bearer" in the sum of £60 11s. was cashed by Mr. Hiddleston. In the books this is recorded as being a payment to Messrs. AID Electrics (Glasgow) Limited for the purchase of a radiogram and wall-light brackets. The supporting voucher is an order form of Messrs. AID Electrics (Glasgow) Limited and bears a receipt "paid by cheque, 25th February, 1965, A.I.D. Electrics." (Appendix H). When examined by us, Mr. Hiddleston stated that he had received the sum of £60 11s., but that this was to reimburse him for having previously paid the above account on behalf of the Company.

123. Mr. Andrew Docherty, a director of Messrs. AID Electrics (Glasgow) Limited, 54 Howard Street, Glasgow C1, has stated to us that his company does not deal in radiograms or light brackets, did not sell to the Company any of the items shown on the purported receipt, did not prepare the receipt or voucher and did not receive either the sum of £60 11s. or three other sums shown in the Company's records as paid to them in cash, namely:

	£	s.	d.	
(a) 21st March 1965	16	3	0	Appendix I
(b) 25th October 1965	46	16	0	
(c) 24th December 1965	46	16	0	

124. We have seen a voucher only for (a) and Mr. Docherty stated that neither the voucher nor the receipt thereon had been prepared or issued by his Company. He further stated that they had never supplied floodlight bulbs which were referred to in the petty cash book entry relating to (b) above.

Refreshments

125. The records show that the expenditure on liquor exceeded £300 in each of the two years prior to 30th April 1965. This greatly exceeds the amount stated by the directors to have been consumed and we have been unable to verify that all of the expenditure recorded was made on behalf of the Company.

126. A number of the payments which are included in the records and which total £173 3s. 4d. are supported by vouchers in the form of receipts from the "Old Eagle Inn". These documents were shown to Mr. P.R. McCrudden, a director of Old Eagle Inn Limited, and he stated that four, relating to a total of £53 4s., had not been written or receipted by any representative of his company and that Old Eagle Inn Limited had not been paid the amounts shown. (Appendix J).

127. Mr. McCrudden also drew attention to certain vouchers bearing revenue stamps on which were superscribed the phrases "Paid by Cash... R. McCrudden" and "Received payment, with thanks, R. McC". These, Mr. McCrudden stated, were not authentic and had not been written by him or by any representative of his company.

Electrical equipment

128. The Company records show a payment of £45 17s. 10d. on 26th April 1965 to Messrs. Falks Limited, 254 Clyde Street, Glasgow C1. This purported payment is supported by three invoices summarised on one bearing a form of receipt, part of which is illegible, viz. "... 26/4/65 Falks Ltd..." (Appendix K).

129. Mr. E.J. McGeachy, an accountant employed by Falks, has stated to us that his company had not prepared the receipt and did not receive the sum of £45 17s. 10d., or three other sums shown in the Third Lanark records as paid to them in cash, namely:

		£	s.	d.
(a) 26th November 1965	Board room lights	42	9	9
(b) 4th January 1966	Bulbs and electric fans	16	16	0
(c) 4th February 1966	Club room lights	42	9	9

Summary and Conclusions

130. Our investigation has disclosed that over recent years there has been an accelerating deterioration in the management of the Company's business and the general conduct of its affairs, which may fairly be dated from the return of Mr. Hiddleston to the board of directors in December 1962.

131. Matters reached such a state that from April 1965, no proper books of account were being kept from day to day. This had the result that our investigation was extremely difficult, and involved the expenditure of much time and effort in tracing individual transactions. In many instances involving cheques, it was necessary to ascertain the bank on which the cheque was drawn and then to request from that bank the authority of the drawer for disclosure of his identity.

132. It seems clear that Mr. Hiddleston, for reasons which are obscure, made up his mind to secure practical control of the Company. In this he eventually succeeded,

and thereafter the other directors of the Company consisted entirely of persons acceptable to him, who were not likely to and did not oppose him. In this end of the day, Mr. Hiddleston, with the acquiescence of the other directors, took the conduct of the Company's affairs and the management of its finances entirely into his own hands (with some assistance from Mr. Lough). Mr. Hiddleston's determination was not matched by his ability or commercial probity. There followed an entirely justifiable lack of confidence in the Company's management on the part of the other shareholders and of persons dealing with the Company. Eventually the Company's affairs fell into a gross state of confusion and mismanagement.

133. While the primary responsibility for the decline and eventual collapse of the Company rests squarely on Mr. Hiddleston, the other directors during the material period must bear responsibility for failure even to attempt to exercise the functions of a board of directors. They exercised no control over Mr. Hiddleston and no oversight over the Company's finances. As we have mentioned in paragraph 64, it became the regular practice for directors to sign blank cheques. We can find no excuse for the failure of other directors to observe and take action about the mismanagement of the Company's affairs by Mr. Hiddleston. In this respect we find it particularly difficult to understand the conduct of Mr. Reilly, a solicitor and chairman of the Company, who appears to have shut his eyes to the true state of affairs to the length of actively assisting Mr. Hiddleston to fight off the justified complaints of shareholders and their demands for a Board of Trade investigation. We regard his statement to the 60th annual general meeting in this connection (paragraph 32) as unwarranted and calculated to mislead the shareholders.

134. The general picture is that the Company came to be run by Mr. Hiddleston, with the acquiescence of the other directors, as an inefficient and unscrupulous one-man business, without regard to the provisions of the Companies Act, the Articles of Association of the Company, or the interests of the shareholders. This is demonstrated by the failure to maintain statutory records (paragraph 20); to comply with the regulations regarding acts and appointment of directors (paragraphs 14 to 19 inclusive); to hold annual general meetings and present accounts (paragraphs 22 to 26 inclusive); the failure latterly to maintain proper books of account (paragraphs 62 and 63); and the manner in which the financial transactions of the Company have been conducted (paragraphs 65 to 129 inclusive).

135. The share records of the Company were not in a satisfactory state in December 1962 (paragraphs 33 to 35 inclusive). The subsequent failure to maintain a proper register and the abandonment of distinctive share numbers (paragraphs 34 to 36 inclusive) have created a situation in which we doubt if it will ever be possible to ascertain with complete accuracy the present position with regard to the ownership of all the Company's shares.

136. The board of directors has shown considerable laxity in the approval of share transfers (paragraph 37). Mr. Hiddleston and Mr. Lough have exposed themselves to penalties by registering unstamped transfers (paragraphs 38 and 39).

137. The transactions relating to the shares owned by Mr. Robison (paragraphs 41 and 42) illustrates the devious and irregular methods pursued by Mr. Hiddleston (with the assistance, in this instance, of Mr. Lough) to increase his preponderance in the Company.

138. Mr. Ross claims credit for putting Article 32 into operation in order that directors might acquire for qualification purposes the shares of deceased members of the Company. There can be no doubt, however, that Mr. Hiddleston saw in this an admirable method of increasing his own preponderance in the Company, and he eventually acquired in this way 541 shares (Appendix A) for only 100 of which he has so far paid (Appendix A). In addition, the proceeds of the other sales mentioned in paragraph 58 have not been received by the Company, and the directors have thus failed in their duty to see that all shares transferred under Article 32 were duly paid for. In our view, Article 32 has been applied in an unscrupulous manner with a view to increasing the shareholdings of Mr. Hiddleston and certain of his associates, and without proper or sufficient steps being taken by the board of directors to ascertain that all the members whose shares were purported to be acquired were in fact dead (paragraphs 50 and 51). We are not satisfied that the board acted fairly in fixing the price of the shares transferred under Article 32 at £1 each (paragraph 54). The issue of 153 shares in favour of Mr. Lough (paragraph 52) was plainly irregularly effected.

139. Such money as was received by the Company in consideration for shares transferred under Article 32 was slumped together with the Company's own money (paragraph 56). We consider that it was the duty of the board of directors, owed to the representatives of such deceased members of the Company whose shares were validly transferred under Article 32, to see to it that the share proceeds were held in trust on separate account. This has not been done. We regard as highly discreditable the action of Mr. Hiddleston and Mr. Lough, after this matter had been questioned by the Board of Trade, in arranging that a sum of money was placed temporarily on deposit receipt, with a view to a reassuring answer being given to the Board (paragraph 55). Mr. Hiddleston's

general handling of this matter, following the questions raised by shareholders at the annual general meeting on 29th January 1965 (paragraph 46) was, in our view, reprehensible. Clearly the shareholders were not given information to which they were entitled, and indeed information was actively concealed from them. The other directors at the time must also bear some responsibility for this, having regard to the communications which they all received from Mr. A.G. McBain (paragraph 47).

140. The directors' failure to see that proper books of account were maintained after April 1965, or to exercise control over the Company's financial transactions, constitutes a serious dereliction of duty. In the result, we have no doubt that funds belonging to the Company have been misapplied. The directors' complete failure to produce any record of the Company's financial transactions after 30th April 1966 (with the exception of the items mentioned in paragraph 83, and an account made by Mr. Reilly of certain cash transactions carried out by him personally) has, however, made it impossible for us to assess the full extent of any current financial shortage.

141. The transactions of the development club formed by the directors in August 1963 (paragraph 92) have been treated by us as forming part of the Company's affairs, because the evidence available to us indicates that income due to the Company has been lodged in the club's bank account (paragraph 96). We have seen no books or records adequate to satisfy us that the monies from time to time in the hands of this club have been properly dealt with or accounted for (paragraphs 95 to 99 inclusive).

142. An examination of the records up to 30th April 1966 has disclosed three forms of transaction whereby funds appear to have been mishandled:

- (i) Sums due to the Company not received, or if received, not brought into account.
 - (ii) Recorded outlays where we have seen insufficient evidence to satisfy ourselves that the expenditure has been properly made.
 - (iii) Recorded outlays where the supporting evidence appears not to be valid.
- After excluding items incorrectly classified only, and items which we have been unable to quantify, the amounts involved are:

	Paragraph	Amount £ s. d.
(i) Missing proceeds of		
Article 32 transfers	58	709 0 0
Car park receipts	65	306 3 6
Gate receipts from:		
Cathkin Park, 20th		
February 1965	68	453 14 1
Other matches	Appendix B	808 14 2
Transfer fees	Appendix C	1,200 0 0
Season tickets - unknown amount		- - -
International tickets	88	1,002 0 0
Development fund drawings	95	2,060 0 0
		<hr/> 6,529 11 9
(ii) Casual wages	103	1,406 0 0
Petty cash expenditure -		
Year to 30th April 1966	111	1,326 13 11
Other casual employees	112	235 10 0
Unexplained items	112	246 8 2
		<hr/> 3,218 12 1
(iii) Whin chips	113	6 15 0
Carpet fitting	115	52 10 0
Carpets	117	62 13 3
Painting and decorating	119	71 10 11
Radiogram, etc.	122	78 14 0
Refreshments	125	53 4 0
Other electrical		
equipment	128	45 17 10
		<hr/> 371 5 0
		<hr/> 10,117 8 10

143. In addition, we are not satisfied that the under-noted expenditure which has been incurred represents a correct charge against the Company:

	Paragraph	Amount £ s. d.
Transfer fee - repaid to Mr. Hiddleston	105	500 0 0
Salary to Mr. Hiddleston up to January 1967	101	1,640 0 0
Salary to Miss M. A. Hiddleston up to 6th January 1967	102	472 0 0
		<u>2,612 0 0</u>

144. In relation to the transactions described in paragraphs 85 to 88 inclusive (including Appendices B & C), 89, and 113 to 128 inclusive, we consider that the circumstances merit police enquiry. In our opinion there are strong grounds for suspicion that in some, at least, of these instances money belonging to the Company has been dishonestly misappropriated by Mr. Hiddleston or misapplied for his benefit. In a large number of the transactions in question it is apparent that Mr. Hiddleston personally received money belonging to the Company, or the benefit of goods or services paid for by the Company. In regard to cash received at the gate, the pattern is that on the occasions mentioned in Appendix B, some or all of the cash has been abstracted and cheques representing other income of the Company have been lodged in the bank as representing the deficit. There has been a concomitant concealment of the other income concerned. These transactions occurred when Mr. Hiddleston was for all practical purposes in sole control of the Company's finances. Indeed Mr. Hiddleston has admitted the practice of abstracting cash from the gate money. He has maintained that the cash abstracted by him was utilised for payment of accounts due by the Company, but has not produced any receipts or books of account relating to his intromissions. The concealment of the income of the Company represented by the cheques paid into the bank in the guise of gate money strongly suggests to us a dishonesty of purpose. In the event, the true situation was only discovered with considerable trouble and difficulty. In certain of the instances relating to goods or services there is evidence that certain relative vouchers have been fabricated or altered, and it is difficult to resist the inference that this was done by, or on the instructions of, Mr. Hiddleston for a dishonest purpose. Likewise Mr. Hiddleston has not been able to satisfy us that the transfer fees admittedly received by him, but not accounted for, (paragraphs 81 to 85 inclusive and Appendix C), have been honestly dealt with by him. In this connection, we regard as significant the absence of any contemporary record of how the sums in question were disbursed.

145. We have found considerable difficulty in assessing the role played by Mr. Lough in connection with Mr. Hiddleston's questionable transactions. It is to be noted that in one instance (paragraph 74), Mr. Lough personally made a bank lodgement, purporting to represent gate money, consisting not in cash but in a cheque representing other income of the Company. Mr. Lough has been unable to satisfy us as to how he came to be party to this transaction. We find it difficult to accept that he, a professional accountant, was unaware of the composition of a sum which he lodged in the bank, or that he did not appreciate that the transaction was open to question. Although we have no evidence that he received any personal benefit from any of the transactions in question, and acquit him of any dishonest intention, we consider that he deliberately ignored or closed his eyes to the irregular nature of Mr. Hiddleston's intromissions and that his continued association with Mr. Hiddleston in these intromissions was contrary to proper professional standards, and not in accordance with his duty as a director and as secretary of the Company at the material time.

146. We wish to make it clear that in our view no significant responsibility for the eventual state of affairs disclosed in this report rests on any person who finally ceased to hold office in the Company on or before 20th May 1985. On the other hand, due responsibility must be borne by those who have held office subsequent to that date, subject to the observation that Mr. Foreman was not appointed to the board of directors until 2nd December 1986, and has not to our knowledge been an active director.

(Signed) J. M. TURNER

H. S. KEITH

16th November 1967

Summary of share transactions recorded as being in terms of Article 32

<i>Name</i>	<i>Issue of certificate</i>	<i>Approval by directors</i>	<i>Preference</i>	<i>Number of shares Ordinary</i>	<i>Total</i>	<i>Paid to Company £</i>	<i>Rebilled to Board of Trade £</i>
J. Agnew	2, 7.64.	2, 7.64.	20	80	100	100	100
T. C. McPhee	2, 7.64.	2, 7.64.	20	80	100	100	100
J. White	2, 7.64.	2, 7.64.	17	83	100	100	100
J. Ross	2, 7.64.	2, 7.64.	25	75	100	200	200
do.	9, 7.64.	2, 7.64.	15	85	100	100	-
W. C. Hiddleston	9, 7.64.	2, 7.64.	22	78	100	100	-
do.	10, 8.64.	-	5	44	49	-	-
do.	22, 12.64.	-	85	271	356	-	356
J. M. Lough	31, 12.64.	21, 1.65.	63	91	153	-	153
J. Ross	31, 12.64.	-	200	-	200	-	200
Position at 7th September 1965*					1,358	600	1,209
J. Ross	-	-	-	-	-	200†	-
J. F. Beilly	9, 2.86.	-	31	70	101	101	-
J. Massie	15, 3.06.	-	25	90	115	-	-
W. C. Hiddleston	31, 3.06.	-	7	29	36	-	-
					1,610	901	

* Letter to Board of Trade 7th September 1965 reporting total Article 32 transfers to date 1,209 and total cash held on deposit receipt £1,209.

† Payment on 20th January 1966 for shares issued on 31st December 1964.

Gate receipts from Cathkin Park

Date	Opponent	Cash Received £ s. d.	Date of bank lodgement	Cash lodged £ s. d.	Cash deficit £ s. d.	Amount £ s. d.	Cheques lodged	Detail
1965								
13th March	Airdrieonians FC	59 8 6	19th March	- - -	59 8 6	17 0 0	Proceeds of sale of international tickets	
							Untraced	
						42 8 6		
						59 8 6		
25th September	Alicia Athletic FC	126 8 0	19th October	- - -	319 2 0	300 0 0	Clyde FC - part of transfer fee for player M. Murray	
11th October	Athol Rovers FC	102 14 0	19th October	- - -		12 0 0	Untraced	
						8 0 0	"	(monsey order)
						320 0 0		
						18 0		
						319 2 0		
1st November	Ayr United FC	231 13 0	1st November	102 14 1	38 18 11		Untraced	
13th November	East Fife FC	156 3 8	16th November	123 13 6	32 10 0		David Allan & Sons Limited, advertising fee	
16th December	Shanhousemuir FC	111 15 0	16th December	11 15 0	100 0 0		Daily Express - advertising fee	
18th December	Bervick Rangers FC	97 9 0	30th December	- - -	97 9 0		Untraced	
1966								
1st January	Queen's Park FC	206 17 6	14th January	114 0 6	92 17 0		British European Airways - Refund	
			25th January			35 0 0	Donation from supporters' association	
						15 0 0		
						44 7 3	Clydebank FC - proceeds of match at Clydebank	
						97 9 3		
						4 12 3		
						92 17 0		
							Less: Cash uplifted	

13th February	Cowdenbeath FC	64	10	6	21st April	1	12	0	<u>82</u>	18	8	5	16	0	Untraced
												8	2	6	Proceeds of sale of international
															tickets
												9	0	0	do.
												34	4	0	do.
												<u>4</u>	16	0	do.
												<u>82</u>	18	6	

Total of cheques lodged in lieu of cash	803	3	11
Add: Cash uplifted	<u>5</u>	10	3
Total cash deficit unaccounted for	<u>2808</u>	14	2

Transfer fee deficits

	<i>Player Transferred</i>	<i>Fee Received</i>	<i>Transfer Fee recorded in books</i>	<i>Deficit</i>	
1965		£	£	£	
- May	J. McKay	750	-	750	Received by Mr. Hiddleston and stated by him to have been utilised for payment of tradesmen
8 August	J. Geddes	300	-	300	Recorded as loan from Mr. Hiddleston and repaid to him on 13th August 1965*
- October	M. Murray	1,600	1,300	300	Stated by Mr. Hiddleston to have been paid to Mr. Murray.
1966					
- February	R. Black	100	-	100	Recorded as payment by Mr. Hiddleston for his purchase of shares under Article 32*
- August	M. Jackson	150	-	150	Received by Mr. Hiddleston and stated by him to have been utilised for payment of tradesmen.
				<u>1,600</u>	

* Mr. Hiddleston stated that he had taken credit for these sums to compensate for earlier payments to tradesmen made by him personally on behalf of the club.

Telephone: CROfton 2773

6 ARDENCRAG ROAD

506

Glasgow,

24/2/

1965

Mr. *Shovel Lomath - F.C.**Balther Park.***ERIC ALBERT**

CARPET FITTER TO THE TRADE

Your Ref.

Our Ref.

*To. Adapting - re-laying
& re-measuring carpeting.**£52.10.0**Drawdown of two black Premiums**Paid by cheque**24/2/65*

Copy of voucher No.506 included in the Company records in support of a
purported payment of £52 10s. 0d. to Mr. Eric Albert on 24th February 1965.



Copy of cheque relating to the above transaction.

Correspondence to
83 Taylor Street

*Superior
a Specialty*

21/2/65

To JOHN BAIRD



PAINTER AND DECORATOR

8 ST MUNG0 ST
GLASGOW C4
TELEPHONE 2011 2011

For Hiddellston Cathkin Park

To Lettering of
Signs as per Instructions

1/7/13/6



APPENDIX G(b)

*Superior
a Specialty*

To JOHN BAIRD



PAINTER AND DECORATOR

8 ST MUNG0 ST
GLASGOW C4
TELEPHONE 2011 2011

John Baird & Co., Ltd.,
Cathkin Park,
Glasgow.

20/2/15.

so replacing old paint and old
stairway used nails in aluminium.
Costing dressing down and up
material and labour.

14 10 5



Copy of vouchers taken from the Company records and purporting to
represent payments to Mr. John Baird.

To JOHN BAIRD



PAINTER AND DECORATOR

 6 ST MUNG0 ST
 GLASGOW, C4.
 TELEPHONE BELL 0411

 Third Larnack r.O.Ltd.
 Cathkin Park,
 Glasgow, S.2.

24th. October 1965.

 ✓ re painting and wallpapering.
 new club premises including
 ceiling, as agreed.

£ 49 0 0

Paid by Cheque 28/10/65.


 1997
 28/10/1965
 The Royal Bank of Scotland
 GOWAN BRANCH - THE GOWAN ROAD, GLASGOW, 10.

86-24-23



Pay *John Baird* £ 49-0-0

For Cash

John Baird

John Baird

028980

Copy of vouchers taken from the Company records purporting to support a payment of £49 to John Baird on the 28th October 1965.

Copy of cheque relating thereto.

Branch:
216 Springburn Road,
Glasgow, N.5.

Telephone:
Cityward 2680

A.I.D. ELECTRICS (Glasgow) LTD.

Agents for all Makes of Washing Machines and Official Hoover Dealers

APPOINTED HOOVER SERVICE CENTRE

REGISTERED OFFICE:

**54 HOWARD STREET,
ST. ENDOCH SQUARE,
GLASGOW, C.1**

Mr D. Lennox A.C.Ltd.,
Cathkin Park,
Crosshill,
Glasgow.

21st March 1965.

To Goods,

£18 3 0.

Handwritten signature
23/3/65.

Copy of receipt taken from Company records and purporting to support cash payment £18 3s.

Old Eagle Inn

83 Noterb Street, Glasgow, C.1

Mrs. Elizabeth McCradden
Wine and Spirit Dealer

Please - CENTRAL 3781
.. - LANGE 1013

Wine Caterer for all Functions

28/4/63.

Thank you all for
Gather Round

of Gauds.

£17. 19. 6



Copy of voucher, taken from the Company records, purporting to support a cash payment of £17 19s. 6d. to Old Eagle Inn Limited on 28th April 1963 but not accepted by Mr. McCradden as being genuine.

BOUGHT OF

MANUFACTURERS
OF LIGHTING**FALKS**HEATING AND
COOLING APPLIANCES**INVOICE**

No. G2/39637

Registered: G2/39637
Glasgow Branch: Glasgowwith which is incorporated JOHN BURNETT & CO. LTD. 1941
124-126 GYLDE STREET, GLASGOW, C1

Date 9TH JULY 1964.

Goods for VAN

C/O Mr. G. Mc

124-126 GYLDE STREET, GLASGOW, C1

THE THIRD LARNAK FOOTBALL CLUB,
CATHKIN ROAD,
GLASGOW.

GROSS PRICE PURCHASE TAX

2 1/6 ONLY	E 31320 2LY. WALL BRACKETS.	109/6 EA.	32	17	-	4	5	9	6
7 1/2 ONLY	250V. 50W. B.C. LAMPS.	1/6 1/2 EA.	-	18	6	2	-	3	4
	+ 18.3% P/TAX								

LESS 25% C.D. ON P/TAX

OR 1ST ITEM ONLY

33	15	6	2	5	12	10
8	8	10	-	2	9	

625	6	8	2	5	10	1
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BOARD OF TRADE

Third Lanark Athletic Club Limited

Investigation

under Section 165 (b) of the Companies Act 1948

Report by

Mr. John Moncrieff Turner, OBE, CA

and

The Hon. Henry Shanks Keith, QC

(Inspectors appointed by the Board of Trade)



LONDON

HER MAJESTY'S STATIONERY OFFICE

1968

Mr. W. C. Hiddleston mentioned in the report died on the 16th November, 1967.

The publication of this report was deferred pending the completion of criminal proceedings instituted on behalf of the Lord Advocate in March 1968 as a result of which Jack White, John Ross, James Francis Reilly and John McNicol Lough were each fined £100 for an offence under Section 331 of the Companies Act 1948, namely as officers of Third Lanark Athletic Club Limited being in default in that the Company failed to keep proper books of account throughout the period of two years immediately preceding the commencement of the winding-up of the Company; and were each admonished in respect of certain other contraventions of the Companies Act 1948.

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